

HOWARD COUNTY
ANIMAL CONTROL DIVISION
CASH AND DONATIONS
COLLECTION REVIEW
JULY 2006

Office of the County Auditor





OFFICE OF THE COUNTY AUDITOR

Ronald S. Weinstein, CPA
County Auditor

July 2006

The County Council and County Executive
of Howard County, Maryland

Pursuant to Secdon 212 of the Howard County Charter and Council Resoludon 22-1985,
we have conducted a review of selected activities of the

ANIMAL CONTROL DIVISION CASH AND DONATIONS COLLECTION REVIEW

and our report is submitted herewith. The scope of our examination related specifically to a review of cash and donation collections and the related internal controls and monetary policies of the Animal Control Division of the Department of Police. The body of our report presents our findings and recommendations.

The contents of this report have been reviewed with the Animal Control Administrator and the County's Chief Administrative Officer. We wish to express our gratitude to the Animal Control Division for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in dark ink, appearing to read "Ronald S. Weinstein".

Ronald S. Weinstein, C.P.A.
County Auditor

A handwritten signature in dark ink, appearing to read "Mitchell Plank".

Mitchell Plank, C.P.A.
Auditor-in-Charge

SUMMARY

We performed a review of cash collections and donations and the related internal controls and monetary policies of the Animal Control Division of the Department of Police. Specifically, we performed a surprise cash count, audited a sample of daily cash receipts and donations, and reviewed the controls and procedures related to the cash receipts and donations. Additionally, we performed a review of fees in comparison to the surrounding counties. For fiscal year 2005, the Animal Control Division collected \$76,020 for services and \$25,892 for fines.

We found that the cash count was correct regarding the amount included in the register versus the daily receipts. Also, we found that cash receipt and donation records were complete and maintained in a manner that allowed for easy identification of receipts and deposits. Additionally, we found that procedures and controls regarding both the cash receipt and donation process were strong, effectively minimizing the risk of theft. However, we did note two instances where procedures designated in the standard operating procedures were not being followed and may need to be modified. We made two recommendations for the Animal Control Division concerning these procedures.

The additional procedures performed included a review of the current fees as charged by the County. In comparison to surrounding counties and the Maryland SPCA, our fees appear to be set at an appropriate level.

SCOPE

The Office of the County Auditor has performed a review of the Animal Control Division within the Howard County Police Department. This audit relates to a review of donations and cash collections of fees for services. Specifically, we performed a surprise cash count, audited a sample of daily cash receipts and donations, and reviewed the controls and procedures related to the cash receipts and donations,

BACKGROUND

The Animal Control Division is part of the Howard County Police Department and is responsible for enforcing animal control laws, controlling domestic and wild animal populations, responding to emergency situations involving animals, providing compensation to owners of livestock killed or injured by dogs, operating the animal control facility, providing care for stray and abandoned animals, investigating animal cruelty cases, and rescuing endangered animals. Animal Control collects revenues from adoptions, redemptions, trap deposits and disposal of animals. Also, Animal Control retains a separate account for donations from citizens to pay for medical fees to help offset the cost for low-income individuals. For FY 2006 and FY 2007, the Animal Control Division has 15 employees and approved budgets of \$1,155,556 and \$1,278,578, respectively.

FINDINGS AND RECOMMENDATIONS

Our review of the cash collection and donation processes for the Animal Control Division of the Department of Police consisted of a risk and control review of the processes and testing of cash receipts and deposits. Based upon our observations and testing, we feel that the cash collection and donation processes have strong internal controls, but could be improved through the following recommendations.

Cash Count

We performed a surprise cash count for the Animal Control Facility on the afternoon of Wednesday, May 10, 2006. First we reviewed the daily receipts and found that only three transactions occurred during the day. Two receipts were paid by check and one receipt was for no charge. The no charge receipt was for services performed for the Tails of Hope Sanctuary in Mount Airy, Maryland. Tails of Hope Sanctuary is one of the many animal rescue organizations that Animal Control works with to adopt animals that have been kept in the Animal Control facility for an extended period. When an animal appears to have been caged for too long, Animal Control will call one of the many rescue organizations in the area and have them adopt the animal. The money for the services provided for adoption purposes are paid out of the donation account. The two checks were then reconciled to those in the register via check number, name and date. Finally, the cash was counted as the exact amount that was placed in the register at the start of the day.

Cash Receipt Testing

The cash receipts process for the Animal Control Division starts out with customer transactions and flows through to the bank deposit and notification with the Department of Finance regarding deposit. Once a transaction takes place, a check-out receipt is completed with the customer's name, address, phone number, date, time license ID, and fees. At the end of the business day, the cashier completes a register cash count of bills and coins, reconciles all cash and checks to the cash register tape and the check-out receipts, fills out the Daily Deposit Receipt Procedure spreadsheet, and completes a bank deposit slip. After these procedures have been completed, the Animal Control Administrator or designee verifies all counts, the deposit, and the reconciliation. Once the bank deposit has been made, the Animal Control Officer making the deposit will obtain a validated deposit slip from the bank and give it to the Animal Control Administrator for reconciliation with the days

totals. On a weekly basis, the Animal Control Administrator completes an Animal Control Deposit-Revenue Report that is sent to the Department of Finance to verify that a deposit has been made. The Department of Finance verifies the deposit and sends Animal Control the corresponding receipt of deposit.

We tested the documentation of two sample weeks of cash receipts. We limited the sample to two weeks based on the quarterly testing of the Quality Assurance Section of the Police Department. Each quarter, the Police Quality Assurance Section tests the money handling procedures by reviewing all daily transactions for the period and verifying that amounts deposited in the bank and credited to Finance's account match the amount received for the day. Also, 24 random days during the period are picked to check for the accuracy of computations and to insure that receipts matched with entries on the daily deposit sheets. Our testing consisted of vouching bank deposit slips, Department of Finance notificadons, Daily Deposit Receipt Procedure, and Check-Out Receipts to the monthly Animal Control Deposit/Revenue Report. By vouching the various financial reports and slips to the monthly revenue report, we ensured that all revenue is accurate. Also, we traced the weekly Check-Out Receipts provided to the monthly revenue reports to ensure completeness. All days tested for both weeks were in complete agreement regarding details and deposit totals.

Donations Testing

The donations process for the Animal Control Division consists of (1) counting the donadons box, (2) making the bank deposit, and (3) receiving notification from the Department of Finance verifying the deposit. On a weekly basis, cash and checks are collected from the donation box by the Animal Control supervisor and a staff member, counted, placed in a deposit bag, and recorded in a ledger. Once the bank deposit has been made, the Animal Control Officer making the deposit will obtain a validated deposit slip fi-om the bank and give it to the Animal Control Administrator for reconciliation with the ledger totals. On a weekly basis, the Animal Control Administrator completes a Donation Deposit report that is sent to the Department of Finance to verify that a deposit has been made. The Department of Finance verifies the deposit and sends Animal Control the corresponding receipt of deposit.

We tested the documentation of the year to date for donations. For the year to date, the donations ledger contained nineteen deposits. We verified all nineteen ledger entries against the donation deposit report and verified seventeen entries against the notifications from the Finance Office of the County Auditor

Department. Two of the nineteen deposits did not have notifications as of the date of review since they occurred the proceeding week. All entries tested were in complete agreement regarding details and deposit totals.

Risk and Control Review

We performed a risk and control review on the cash collection and donation processes that consisted of analyzing the flow of documents from start to finish. To determine the risks and controls present in the process, we needed to first determine the actual processes. That processes were thoroughly detailed in the Police issued standard operating procedures and further verified through discussions with various Animal Control Division personnel.

There are multiple risks associated with the cash collection and donation processes. The most obvious risk is that employee theft/misappropriation will occur. Timings for possible occurrence include, point of contact with the citizen, during the reconciliadon process, and when the bank deposit is made. Specifically, the possible risks are that employees: destroy, change, do not or incorrectly fill out service receipts, give excessive or inappropriate reimbursements, steal from the donation box, incorrectly reconcile daily receipts to the register totals, incorrectly total deposits made, and do not make bank deposits as assigned.

In order to reduce the likelihood of these risks occurring, Animal Control has put multiple controls in place. The main controls in place are standard operating procedures (SOP) that outline the cash collection and donation processes. Both the cash collection and donation processes are detailed in these SOPs and broken down into sections outlining the general policy, personnel affected, authority, use and restrictions, procedures, expenditures (donations), audit requirements and cancellation. Vital controls contained in the SOPs for both cash control and donations include;

- Under no circumstance shall these monies be used for personal purchases or as any type of "loan"
- The Animal Control Division has no authority to disburse or refund the cash from this fiind for any purpose
- Audits of the Animal Control Division's cash accounts shall be performed quarterly by the Quality Assurance Secdon (Department of the PoHce).

Inclusion of the controls regarding disbursements diminishes the level of risk as cash is only received for deposits and never returned to an individual or used by an employee for personal purchases. A quarterly audit by the Police Department ensures that timely monitoring is done at a level beyond the actual process level. Various other controls for each process also include:

Cash Collections

- The fees for fines and services shall be established by the County Administration and adopted by the County Council. The fees shall be published annually by the County Administration in the User Fees and Charges Book
- A Howard County Animal Control Check-Out Receipt shall be completed at the time of the transaction with all appropriate information completed
- Daily reconciliation of cash, checks and money orders to the register journal tape
- Supervisor review of reconciliation and handling of bank deposits with signatures or initials denoting a review has been completed.
- Notification to Budget/Finance of deposit and notification by Finance of receipt

By providing established fees for fines and services, Animal Control ensures, a greater likelihood that employees handling cash will charge the correct amount. Also, the Animal Control Facility displays a large sign by the register detailing the fee amounts. This control allows for the individual and the cashier to quickly assess that the fees paid are correct. Next, the controls relating to supervisory review and notification to other departments provide monitoring controls for those transactions that were processed incorrectly, thereby ensuring that any inconsistencies in the process are discovered.

Donations

- Money placed in the donation by citizens will be collected by a supervisor and staff member
- The deposit will be recorded in a ledger requiring initials for each entry by the supervisor and staff
- Notification to Budget/Finance of deposit and notification by Finance of receipt
- Money is secured in a locked box.

The controls for donations include the requirement of two individuals for handling all procedural efforts, ensuring that one person does not perform everything. By requiring multiple signatures or initials, integrity is reinforced concerning documentation. Also, notification to and from other departments provide monitoring controls and further documentation, ensuring that another department acknowledges and corroborates deposit details.

In addition to these SOP controls; the Animal Control Division incorporates other important controls. These include numbered, carbon-copied receipts, access to spreadsheets by supervisor only, standard register bill and coin totals, and a facility alarm. These are preventative controls designed to avoid the occurrence that a theft/misappropriation of cash will occur.

While all of these controls clearly help to either prevent or detect inefficiencies in the process, two controls currently in place are either inappropriate or not being followed in the manner for which they were designed.

Under the cash collections procedure, only one person is permitted to operate a register on any given day, and a minimum of two registers must be in operation each day. At the time of our audit, Animal Control operated only one register at the entrance to the facility on a daily basis. Recently, Animal Control added another register in the rear of the facility to handle various intake services including euthanasia, spaying and neutering. For the register at the rear of the facility, one person operates the register for the entire day. For the register at the entrance to the facility, more than one individual operates the register on any given day. Although Animal Control is not adhering to the procedural policy, it appears that the necessity to keep the register open all day requires an additional employee to operate the entrance register. Therefore, we recommend that:

1. The Animal Control Division, in conjunction with the Police Department staff develop a procedure for documenting all individuals operating a register on any given day and this procedure be included in the written cash collection procedures.

Administrative Response:

The Administration concurs with this recommendation. The Police Department currently documents employees assigned to operate the register at the front desk and has plans to incorporate the requirement for a register schedule in the written cash handling procedure. A policy revision will be completed in the next sixty days.

Another procedure in both cash controls and donations states that only those personnel designated by the Animal Control Division Administrator are authorized to handle cash. The Animal Control Administrator will keep a current list of personnel authorized to handle cash. The current list of personnel authorized to handle cash by Animal Control includes all fifteen employees in the division including six animal handlers and four Animal Control officers. Under the cash collections procedures, Animal Control officers are required to transport deposits to the bank, however, they are not required to handle cash (cash register or reconciliation). While allowing all fifteen employees to handle cash allows for greater flexibility during daily operations, it also allows for less control. As an actual listing of those individuals that normally handle cash would ensure that only a few individuals perform these actions and thereby diminish risk and allow for better accountability, we recommend that:

2. The Animal Control Division limit the number of employees that handle cash.

Administrative Response:

Presently, two employees in the Police Department work the main desk and handle cash on a daily basis. One employee is permanently assigned to the desk and the second person is rotated from the remaining staff. A desk rotation schedule is provided by the Animal Control Administrator. Due to limited staffing and work flow, it is necessary to utilize all staff members on a rotating basis. In summary, fifteen employees are authorized to handle cash, but not at one time. Two members are dedicated to this task each day and unless another permanent front desk position is created, this is the best alternative.

Auditor's Comment

While we agree that limited staffing and work flow may necessitate the use of multiple staff members for handling cash, we feel that the authorization of all employees in the Animal Control Department to handle cash is excessive. During our follow up we will review the desk rotation schedule to determine if it provides adequate documentation of cash handlers on specific days and hours.

Additional Procedures

In addition to the review of controls and procedures and testing of cash receipts and donations, we also performed a review of the current fees as charged by the County. In comparison to

surrounding counties, our fees are consistent. In comparison to the Maryland SPCA, our fees are less. As the Maryland SPCA is forced to charge higher fees due to higher overhead, it appears our fees are set at an appropriate level.

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